

EXHIBIT 13

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**MINUTES OF BOARD AND EXECUTIVE COMMITTEE
SF GROUP
February 22, 2001**

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Corporation was held at the office of the Corporation, Christiana Executive Campus, 111 Continental Drive, Suite 408, Newark, Delaware on February 22, 2001 at 10:35 A.M., pursuant to the call of Mr. Andrew Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:

Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Mr. Turnbull R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer.
Operations

Presiding officers

Mr. Andrew N. Yao, CEO, acted as Chairman of the meeting and Mr. Gary Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held January 25, 2001 were read and approved subsequent to the following change:

Page 4: Reference to FTE should say "Collections per FTE".

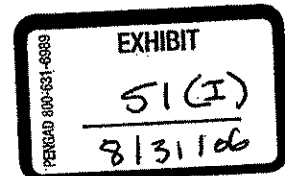
Business of Meeting

Ms. Diane Messick, Corporate Assistant Treasurer/ Corporate Controller, was present to present the Treasurer's Report.

I. TREASURER'S REPORT

- WAC is in the 18.7% range for this month.
- School funding was off last month. Adding back the application fees would bring it up to \$11.6 M.
- Originations from December were \$15.6. This could be a result from exception funding in January...
- Ms. Messick will find out from Mr. Scott Schauer what type of shadow rating we could get if Moody does not move from their current model assuming a 15% subordination and assuming we put all excess spread into default.

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- Regarding the memo from Rod Gagne, Mr. Yao would like to see a white paper report developed re: securitization growth from a Public Relations perspective. This should include the following:
 - 1) Growth coming from new schools indicating market acceptance.
 - 2) How we have tightened up credit.
 - 3) Pricing unchanged.
- Mr. Yao suggested getting guidance from investment bankers as to the best manner to communicate this information. He also suggested working with Rusty Saylor for assistance in communicating the growth perspective.
- Completion of Financial Statements is still on target with a draft ready by March 30. Thirty days later, the final copy will be ready.
- The Budget Variance format looks great. Condensing down the footnotes is appropriate.
- Considering the time restraints, if Ms. Messick cannot produce a budget variance by the next executive committee on a cash basis then reporting on an accrual basis would be acceptable making sure that footnotes justify significant departures from cash.
- There is a good probability that we will not do a securitization during the 1st quarter. That decision depends on what Mr. Saylor reports. With no securitization, this will adversely affect our first quarter manager's statement. A pro forma would be suitable in this event.
- Mr. Yao requested, if possible, to show the variable expenses on a formula basis for department managers. Charts better depict growth, margins and credit improvement.

A. Marketing Activity Summary

- For the next meeting, Mr. Turnbull will resubmit the origination/budget variance chart and competition chart.
- Originations by industry are increasing for IT and Career schools.
- For the next meeting, Mr. Turnbull will report on the amount of closes indicating the amount of hours per person per day. (The

closes are those applicants who are not responding to the school on approved loans.) The schools are generating the leads.

■ We created an RFP to solicit companies interested in collaborating with SF Group in our Credit Card Program. Mr. Hansen of the Marketing Department, will follow-up with the solicitations.

■ Next month, marketing will submit a graphical representation of new schools by type.

■ Tuition Reimbursement Program is not at a point to begin measuring results. Programmers are developing a field to capture the information required for measurement.

III. COMMITTEE REPORTS

A. Policy Committee

■ Roadmasters: The timing for the assessment of zero impact is complete when we see enough new loans from schools where we re-disperse 50/50 to counter balance the negative impact. 200 new applications per month from some other sources are essential to offset the 100 or so we think we will gain from Roadmasters.

■ The Co-signer risk class 230 discussion was referred to the Credit Committee for evaluation of the volume impact. Mr. Turnbull suggested that we wanted to review the static pool performance with risk class 230 co-signer vs. the regular 230.

■ Hook-up is processing loans up to \$14,000. Due to a concern to fund individual loans of that magnitude the committee decided to keep the top loan dollar amounts under \$10,000 in the trucking field. If the school can justify two loans for two programs, value added, then an amount over \$10,000 is acceptable.

■ There is a plan to review the 4-Year Program next month. The origination projections were pushed back until the 2nd quarter.

■ Mr. Hawthorne confirmed that we are near doing the real static pool on a consistent basis without forbearance.

■ Pricing seems fine for the 4-Year Program, but we need to run cash flow projections and incorporate it into the master cash flow plan.

■ The best way to increase the cash flow would be to decrease the disbursement rate on the risk class that produce the highest loan volume, such as risk class 200.

■ Mr. Turnbull will make up a chart to reflect how we can get 5% cash flow margin. In addition, Mr. Turnbull will develop a plan to depict item 2a; how would we do it and what affect it would have on originations.

B. Internal Audit

- Although the findings for Quality Assurance and Credit Underwriting % of errors are high, Mr. Hawthorne feels that this is a short lived problem with solutions in the process.

C. Information Technology

- No comments

D. Credit Committee Report

- Mr. Yao would like a decision by next month regarding a decision re: Risk Class change for co-borrower from RC 30 to RC 20.
- A manager/analyst is being recruited to pursue the FICO scoring/monitoring. Risk Management budget will absorb this expense.
- Mr. Yao expressed a concern with the default rate for year 2000 being so constant. In order to assure that the line is performing that well Mr. Yao suggested the following:

1. To make sure we are not making a mistake in applying our forbearance policy.
2. To address any outside concerns, we want to insure that the difference is due to collectors focusing in on accounts that most likely will go to collections. In addition, the answer could lay in The Davox system.

E. Operations Committee

- The processing time for both Prime and Non-Prime applications is still to long. The department is still fine-tuning to meet the 15 minute average.
- On the Dollars Collected Chart, Mr. Martinez will indicate the goal set for the department vs. where they stand.

F. Human Resource Report

- No comments other than not including termination information in this report.

IV. OLD BUSINESS

Profit Sharing:

■ Mr. Hawthorne articulated that the SFG committees are demonstrating more aggressively through problem solving their commitment toward achieving the goals than the departments are. As a result, the Executive Committee agreed that it was acceptable to make the committees responsible for achieving such goals opposed to the departments. Quarterly reports need to be released.

V. NEW BUSINESS

[REDACTED]

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

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**MINUTES OF BOARD AND EXECUTIVE COMMITTEE
SF GROUP
March 21, 2001**

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Corporation was held at the office of the Corporation, Christiana Executive Campus, 111 Continental Drive, Suite 408, Newark, Delaware on March 21, 2001 at 10:35 A.M., pursuant to the call of Mr. Andrew Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:

Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Mr. Turnbull R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Andrew N. Yao, CEO, acted as Chairman of the meeting and Mr. Gary Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held February 22, 2001 were read and approved.

Business of Meeting

Ms. Diane Messick, Corporate Assistant Treasurer/ Corporate Controller, was present to present the Treasurer's Report.

I. TREASURER'S REPORT

- ▶ Ms. Messick demonstrated excellent success on each negotiation.
 - ▶ The Budget Variance Report looked good. Mr. Yao suggested that for next time, the report reflect the projected column by month, (Jan. Feb.) actual column by month (Jan. Feb) then variance, followed by the combined, year to date.
 - ▶ The temporary workers and consultant fees in MIS, IT and Credit Services is the result of a rollover and soon to be non recurring per Mr. Hawthorne.
 - ▶ [REDACTED]
 - ▶ Ms. Messick will follow-up on the residual value item pertaining to the audit.
 - ▶ Mr. Aquina wants to footnote the forbearance figures due to their magnitude.
- The Policy Committee will draft the footnote to include:

- Title 4 Program demonstrating it's consistent with historical precedence set by the Federal Programs in 1965.
- Emphasis is from the school to the borrower.

► The Finance Committee will decide on note placement that must be within the body of other notes. Mr. Yao wishes to review the note before submission to the auditors.

► Ms. Messick will discuss with Rob Blake the MBIA line of credit with a liquidity facility and what the next steps are. In addition, SFC may need to tell John not to talk with MBIA anymore.

► Mr. Joe Domal's commission was reduced to 75bps retro to 1st \$50M additional policy.

► [REDACTED] If we fund at 3% Royal will drop the experience account back to 15%. After a two-year period, the experience account will drop to 10%. Mr. Rod Gagne agreed that would work.

► We are talking 3%-5% in cash reserves and dropping the premium to 5 1/2%.

[REDACTED]

► Mr. Joe Domal's SFC presentation needs improvement. Mr. Hawthorne and Mr. Turnbull will address areas for improvement.

► European Banks are on sidelines until the summer.

► Mr. Hawthorne will include in his weekly report regarding Scott Schauer's analysis. The default curve needs to be changed. (Shape of the loss curve and the default rate assumption).

II. MARKETING AND SALES

A. Marketing Activity Summary

- Mr. Turnbull will adjust the Net Originations Projections chart to reflect the seasonality as follows:
 - April, July, Sept. and Dec. dip
 - Feb, March and August increase
- We will change the inventory assumption to 9 days. Mr. Turnbull will begin tracking inventory assumptions separately from the days processed.
- Projections are at 25 but might go to 25.5 net. We are prepared to take a possible dip in April.
- Mr. Turnbull will provide a competitive analysis of Tuition Guard programs.
- Regarding the competitive analysis, Paramount is bottom-feeding off us. Mr. Yao suggested that we do a sweep once a quarter to make sure there is no new competition and continue with the analysis each month. The only developments this month were with Paramount and Associates.
- For the next meeting, Mr. Turnbull will provide a budget variance for the SMS Telemarketing Programs.

- The last two lines should be removed from the Sources and Uses Projections work sheet.
- Develop graphical measures for the Loan Closing Program.
- Add graph summarizing the mix of schools by industry.
- Have the Policy Committee to sign off on program parameters for the Four-Year Program. Then make sure financing is in place by PNC and Fleet. Finally, unroll the marketing plan.

III. COMMITTEE REPORTS

A. Policy Committee

- Change terminology from Pristine to Super Prime (highest category).
- The committee is reviewing a New Program called Quick Fund. The purpose is to fund quickly on certain portion of our monthly funding and schools would be charged for it. Disperse less but get funds quicker
- Loan size limited to \$7,000 unless there is "value added" to support a second loan up to but less than \$10K.
- When applicable, we direct schools to increase tuition by 10% every year.
- Mr. Turnbull will discuss with Rothchild the issue of presenting to schools a proposed tuition increase that cannot be misconstrued as "Price Fixing".
- It was agreed that the [REDACTED] is a great business idea. Ms. Messick is talking with counsel to set up separate company just to track that; a subsidiary of SMS. [REDACTED]
- [REDACTED] We are going to require a quarterly report from the schools identifying placement rates. In July this committee will issue a report depicting two quarters of placement rate information.
- Committee needs to review the underwriting criteria to see if revisions are required.

B. Internal Audit

- No comments

C. Information Technology

- No comments

D. Credit Committee Report

- Mr. Yao would like to see the "Proof of Income" idea expanded.

E. Operations Committee

- Mr. Hawthorne will follow-up in his weekly report the 38 hours of downtime due to system problems.
- Processing time getting better.
- Target lines need to be included on all charts for measuring progress.

- Collections per FTE needs a standard.
- The Collection Call log count fell in February. Mr. Hawthorne will follow-up and report his findings via his weekly report
- All non FTE reports can be removed from the package. Those remaining graphs need a standard line included.

F. Human Resource Report

- No comments.

IV. OLD BUSINESS

- Mr. Yao indicated that Succession Planning should begin. He suggested that each successor be a generalist. Mr. Turnbull and Mr. Hawthorne will prepare a report for the board meeting in July.
- The Profit Sharing report needs to be graphically depicted and include standards. The Policy Committee will review and sign off on the report before submission to the Executive Committee review. After the April Board Meeting the report can be released to staff.
- Credit Card Program still in the works. Mr. Turnbull will investigate the Prime market too with PNC and Fleet.

V. NEW BUSINESS

- The Credit Committee should revisit forbearance policy and report at the next meeting. The mix of forbearance vs. default vs. projected is 75% forbearance opposed to 50/50 that our models show. We might be too aggressive in forbearance and not as much in our default. This policy might need toning down a little.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

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LWMINUTES OF THE BOARD AND
EXECUTIVE COMMITTEE

SF GROUP

April 27, 2001

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Corporation was held at the office of the Corporation, Christiana Executive Campus, 111 Continental Drive, Suite 408, Newark, Delaware on April 27, 2001 at 10:35 A.M., pursuant to the call of Mr. Andrew Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:

Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Mr. Turnbull R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Andrew N. Yao, CEO, acted as Chairman of the meeting and Mr. Gary Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held March 21, 2001 were read and approved.

Business of Meeting

Ms. Diane Messick, Corporate Assistant Treasurer/ Corporate Controller, was present to present the Treasurer's Report.

I. TREASURER'S REPORT

- Ms. Messick did not approach PNC to be MBIA's liquidity provider because Mr. Saylor has made it clear that he does not want SFC to have another LOC provider. Mr. Saylor felt that some of the international banks will be on board by May or June and going to PNC could be perceived as a conflict. Mr. Yao suggested we supply MBIA with a list of the European banks and have them go to the banks separately.
- By acquiring a list of attendees at the Student Loan Conference, we can find out if S&P sent someone thereby providing us with the needed contact name.
- SFG will investigate getting involved with some of the related conferences.
- [REDACTED]

- The negotiable point with Mr. Dómal is that we are open to commission arrangements for a new source. It was agreed that 15 bps. was acceptable.
- Ms Messick will ask Royal under what conditions would they allow us to use the excess spread into a liquidity reserve.
- Release of the financial statements is April 30th. Next week we release SMS's financial statements.
- ~~Ms Messick spoke with Mr. Gagne in regards to clearing up the CFC Inter/ company. Ron Gagne gave next week as a date for the completion. SMS~~
- Mr. Yao, as the sole owner of SFC, need only be indicated in the footnotes and not included in the cover letter.
- Mr. Hawthorne will send weekly, a list of all mono-lines to Mr. Yao.
- The quarterly budget variance needs reworking and new budgets submitted by the next executive committee meeting.

II. MARKETING AND SALES

A. Marketing Activity Summary

- 9% is to high for the Risk Class 110 & 120. Mr. Turnbull believes that by the end of the month, it should come down to 6% or 7%.
- Beginning June, we will require proof of income on consigners.
- A procedure is in place to tighten up credit on the 110's and 120's.
- On the chart identifying the number of active schools by industry, Mr. Yao asked that a percent column be added and each totaled. We will track the mix overtime and look at the % monthly.
- The numbers indicated on the chart, SMS Projected Growth by Sector, shows static loan sizes for the years 2002, 2003. The chart should reflect a \$500 a year increase; 2002 should be 7,500 and 2003 8,000.
- April originations as of today are down about 25% from last month. We anticipate making that up over the next two days.
- Mr. Yao suggested when doing the quarterly review of the budgets we revise the projections.
- Combine the Telemarketing Sources and Uses Projections and Actual on one page.
- All new programs are in place except *Quick Fund*.
- An objective of SMS is to increase cash flow by 5%. The following will accomplished this:
 - 1) New programs
 - 2) Quick fund
 - 3) Increase in school discount.
- Mr. Turnbull will report monthly how these three initiatives will affect cash flow.
- Credit requirements related to trucking loans needs tightening up.
- The projected growth by sector nationally reflects \$6M in loans in the 4-year schools arena. We should be able to take 20% of TuitionGuard's business. Next month when we look at the 4-year marketing plan, Mr. Yao asked for a marketing strategy and competitive analysis to take market share from them.

■ A Marketing Plan and Competitive analysis should reflect \$500M from career schools, \$500M from colleges and \$500M from trucking and finally additional sources of income from collections and other marketing initiatives. It is feasible that we will reach those numbers within the next two years.

III. COMMITTEE REPORTS

A. Policy Committee

● *Student Placement Service:* Beginning May 15, students will sign a form that states that we can represent them in their job placement efforts. HR is creating a business plan identifying how they can help and support the Exit Interview, business aspect. Mr. Yao requested that the Policy Committee include revenue projections for the Exit Interview Program.

● Each committee identified by the Profit Sharing Objectives are required to submit a report on their objectives to include measurements. A quarterly report is forth coming.

B. Internal Audit

✦ No comments

C. Information Technology

✦ Both MIS and IT have made great strides. The Policy Committee might suggest making some kind of commendations to acknowledge the developments.

D. Credit Committee Report

✦ Co-maker risk class minimum will change from RC20 to RC 30 is still on hold. We are waiting on a report without the forbearance payment to see what impact it will have on the risk classes and if it is valid. We should be able to make a decision today.

E. Operations Committee

✦ Item #10 is slated for June because of a systems issue.

✦ For due date flexibility, we are going to outsource statements. Mr. Hawthorne will follow-up in his weekly report.

F. Human Resource Report

✦ No comments.

IV. OLD BUSINESS

* Credit Card Program Equifax is excited about working with us. The only hold-up is identifying a liquidity provider. Going forward, the Policy Committee will report on the progress.

V. NEW BUSINESS

► No new business.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

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MINUTES OF THE BOARD AND
EXECUTIVE COMMITTEE

SF GROUP

June 28, 2001

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Group was held at the office of the Corporation, Christiana Executive Campus, 170 Lukens Drive, New Castle, DE 19720 June 28, 2001 at 10:30 A.M., pursuant to the call of Mr. Andrew Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:
Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Mr. Turnbull R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Andrew N. Yao, CEO, acted as Chairman of the meeting and Mr. Gary Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held May 31, 2001 were read and approved.

Business of Meeting

I. TREASURER'S REPORT

Going forward, questions concerning this report will be posed to the Finance Committee prior to the Executive Committee Meeting for information updating.

* [REDACTED]
[REDACTED] According to Rod Gagne, Rusty is experiencing concerns. Mr. Hawthorne will question Rusty and evaluate the legitimacy of the concern; if it's a true, considered opinion, then we will revisit it. Mr. Hawthorne will question Loofbourrow to see if they have ever done this type of shadow rating before. [REDACTED] We need to hold them to this

[REDACTED]

if not he will find out what this will entail so we can allocate resources.

* Mr. Yao requested that if there is an excess spread account that goes with that \$47M then ask Royal if we can transfer it into the liquidity reserve.

* Budgets:

► Miscellaneous accounts for the following:

14% of new budget.

13% of the non-capital expense items

41% of the variable costs.

► Going forward, variable cost should be determined as a correlation between revenue and expense and volume driven. All departments will revise their budgets.

► The committee agreed to add more line items decreasing the items included in miscellaneous.

► Additional budgetary comments:

On a percentage basis, HR up 80% or \$300,000.

Administration up 50%

Customer Service 50% which can be justified.

IT 28%

(Anything <= 20% don't bother with.)

► Mr. Yao suggested that the budgets for HR and Administration, on a percent and dollar basis, be revisited and challenge for response. MIS and IT, on a dollar basis, be challenged since they too are too high.

► Go back to MIS and IT and see if anything can be deferred out.

1. Break out miscellaneous to be <= 5% of dept budget item or category line item.
2. Finance Committee will flag and send back for reevaluation all budgets higher than the average in percent or dollars.
3. Recategorize variable and fixed expenses. Variable should be directly related to revenues and volume. Everything else is a fixed expense and fixed is defined by budget.

► For the remainder of this year capture incremental Net Cash Flow for Strategic Initiatives into one line item in SMS budget for planning purposes.

1. [REDACTED]

2. [REDACTED]

4. [REDACTED]

The opinion from Fox Rothschild indicates that as long as nothing is in writing, or we are not demanding, and that this is market awareness, we will be fine in discussing student tuition level increase with schools. [REDACTED]

*The Committee agreed Mr. Guy Disimplico would begin to attend the Finance Committee meetings starting in July. August he can begin the origination projections for next year through 2003. In September, he will participate in the interim budget meetings with managers and do a projection in October for next year. Mr. Disimplico will receive a copy of the cash flow projections in October where Mr. Yao will have the below the line numbers in draft form by October for incorporation.

II. MARKETING AND SALES

* Marketing Activity Summary

- The projections need revising for Q3 and Q4. Instead of using a blended conversion rate of 15% use a declination percent withdrawals; pre funding and post funding. For next year reflect and track it.
- Re classify trucking to *transportation* and include all categories that fall under transportation such as aviation and maritime related.
- Projected Growth by Sector, page 12 – Change the name to *Core Revenues* and use this projection for next year's projections. Additional growth will come from the 4-year Program. Anything extraordinary we will call *Strategic Initiatives* and use a separate line item. This will be called Net Cash Flow Due to Strategic Initiative backed up by memo's.

1. Develop a template for the year
2. Add any incremental due to strategic initiatives
3. Next year strategic initiatives are incorporated into the core.

- Consider the 4-Year Program launched and next month provide an evaluation.

- ▶ Reformat *SMS New Income Generating Programs*, page 17. Provide one budget for each initiative. Rename it to *2001 Strategic Initiatives*. One page for each of the four budgets and include the variance on same page.
- ▶ Competitive Analysis – Paramount is ranked #1. Mr. Yao requested that he be advised immediately if anyone starts taking business from us.
- ▶ We should be proactive in gathering information on Quality Assurance. The Policy Committee will handle the development and issuance of some type of survey whereby schools can grade us.
- ▶ Student Placement Services – begin implementation.
- ▶ Credit Card Program – call Greg for liquidity source. As a last resource, call Rocko. Also, ask Mike Acquino

III. COMMITTEE REPORTS

A. Policy Committee

- ✦ No issues

B. Internal Audit

- ✦ No issues

C. Information Technology

- ✦ ADS (Merit System) will provide 80 % automatic scoring
- ✦ No issues

D. Credit Committee Report

- ✦ Any action items with old due dates need to be reassigned new due dates.
- ✦ Remove item #14 from timetable.

E. Operations Committee

- ✦ If the following interpretation of the charts is correct, then a narrative needs to accompany the next committee report explaining the results and have an action plan to solve this.

1. The average FTE is making more calls with fewer accounts and collecting less.

2. Active account per FTE is very low. 1500 vs. goal of 1900.

3. Active delinquent account per FTE is very low.

The facts indicate that efficiency declined by way of FTEs making more calls with not as many accounts to work and collecting less or the overall portfolio is performing better.

E. Human Resource Report

- ✦ No comments

IV. OLD BUSINESS

★ [REDACTED] The following are the suggested changes to the SMS organizational chart:

- ▶ 2 people report to Mr. Jim Pearson; 4- Year and Career School Sales.
- ▶ 4 sales reps report to Mr. Dan Gardner. North & East Reps based here, South Rep based south, West undetermined.
- ▶ Mr. Jim Person's title would change to vice president of Sales & Marketing.
- ▶ Add a vice president of Operations.
- ▶ Director of Operations to handle all telemarketing.
- ▶ Communications and Director of Business Developments report directly to Mr. Turnbull.

★ [REDACTED] Tiers are the pay levels. At some level, we should carve out some commission and place into a general pool. Conceptually, the further you are away from sales you should derive less in commissions and more from the bottom line. If you have P&L responsibility, you should be rewarded from P&L, if you have sales responsibility you should be rewarded from sales. For consideration:

1. At what point does one cross over from sales commission compensation to profit and loss compensation?
 2. What happens when that point is crossed?
- Devise a plan identifying the threshold and how to make the transition from a per loan plan to a global compensation plan.

V. NEW BUSINESS

★ No new business.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

* McGladrey's will review our static pool in order to issue a static pool report next year if requested.

E. Operations Committee

- * Average number of calls per FTE low due to loss production hours.
- * Average number of delinquent accounts increased due to seasonality.

E. Human Resource Report

- * No comments

IV. OLD BUSINESS

- * SMS organizational chart approved by committee

V. NEW BUSINESS

* The committee approved the addition of a new Profit Sharing Plan, *Senior Managers Profit Sharing vs. Profit Sharing*. The senior managers plan will provide for a seven-figure profit sharing disbursement vs. a six-figure profit sharing plan. As a result, commissions will cap at \$1M. The committee adopted the plan for formal introduction into the budgets.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

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**MINUTES OF THE BOARD AND
EXECUTIVE COMMITTEE**

SF GROUP

July 26, 2001

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Group was held at the office of the Corporation, 170 Lukens Drive, New Castle, DE 19720 July 26, 2001 at 10:30 A.M., pursuant to the call of Mr. Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:

Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Perry R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Yao, CEO, acted as Chairman of the meeting and Mr. Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held June 28, 2001 were read and approved.

Business of Meeting

I. TREASURER'S REPORT

*** ABS Schedule:**

- August \$50M clean-up
- September \$75-\$90M (use \$90M)
- November (late) \$100M
- December \$50M clean-up

[REDACTED]

* Asset Guarantee, brought in by Looftbourrow, will require an S&P rating minimum of BBB and a Moody's rating. After they receive the financial reports for the last three years, they will probably visit us.

* 2nd quarter statements should be ready in August. Mr. Hawthorne will follow-up via his weekly report. Try to disseminate a draft next week.

* For gross static pool recoveries net effect, Mr. Hawthorne will vary criteria and provide Mr. Yao with any unfavorable explanations, if necessary, via his weekly reports.

* Net Savings trimmed from the 2001 budget by \$1.3M due to double bookings in more than one department. The figures also include the cost of the build out.

* Loan applications fees will not be touched. Marketing will focus on having originations meet projections and initiate the average loan amount up as quickly as possible. With all initiatives in place, we are about \$4.5 positive with a possible high of \$5M. Mr. Hawthorne will provide an outline to Mr. Yao of the numbers for his projections.

* [REDACTED] Mr. Hawthorne will provide an update next month regarding the prime and status with WTE.

II. MARKETING AND SALES

* The projections numbers used for next month are the ones provided via Mr. Turnbull's e-mail.

* Going forward, projects should reflect net not gross.

* [REDACTED] providers.

* Quick Fund name changed to Flex Fund. To implement the program would result in immediate negative cash flow. Therefore, Flex Fund will be incorporated into next year projections.

* In new budgets, adjust the incremental revenues based on strategic initiatives using new numbers.

* Competitive Analysis, change the name of trucking to transportation.

III. COMMITTEE REPORTS

A. Policy Committee

* Try to make a contact with Fleet for the Credit Card Program.

B. Internal Audit

* Indicate what reports are complete vs. Work in Process. Indicate satisfactory or open issues.

C. Information Technology

* No comments

D. Credit Committee Report

* Status of recommendations: on hold via the Policy Committee approval. Going forward, indicate on hold and referred to Policy Committee.

* Modified version of the static pool should be added.

✦ McGladrey's will review our static pool in order to issue a static pool report next year if requested.

E. Operations Committee

- ✦ Average number of calls per FTE low due to loss production hours.
- ✦ Average number of delinquent accounts increased due to seasonality.

E. Human Resource Report

- ✦ No comments

IV. OLD BUSINESS

- ✦ SMS organizational chart approved by committee

V. NEW BUSINESS

✦ The committee approved the addition of a new Profit Sharing Plan, *Senior Managers Profit Sharing vs. Profit Sharing*. The senior managers plan will provide for a seven-figure profit sharing disbursement vs. a six-figure profit sharing plan. As a result, commissions will cap at \$1M. The committee adopted the plan for formal introduction into the budgets.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

MINUTES OF THE BOARD AND
EXECUTIVE COMMITTEE

SF GROUP

October 31, 2001

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Group was held at the office of the Corporation, 170 Lukens Drive, New Castle, DE 19720 October 31, 2001 at 10:30 A.M., pursuant to the call of Mr. Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:

- Mr. Andrew N. Yao, Chairman and Chief Executive Officer
- Mr. Perry R. Turnbull Vice Chairman and Chief Marketing Officer.
- Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Yao, CEO, acted as Chairman of the meeting and Mr. Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held September 28, 2001 were read and approved.

Business of Meeting

I. TREASURER'S REPORT

Finance Committee Report:

- Minimum RSA wrap is \$25M. Wilmington Trust most likely will be unable to increase. SFC will approach them for a \$5M extension and Royal for \$10M.
- On the question of scaling back originations, the only acceptable cause might be attributed to a credit quality servicing issue but not due to a liquidity issues. ?

Budget Variance Report

- The fixed costs for SFC in September were considerably less and the variable costs considerably more than reported in the August report. Mr. Hawthorne will research this and report to Mr. Yao with his findings.

2002 Budgets

- Variable expenses went up due to a 58% increase in volume. However, SFC variable expenses are going up 82%, which is unacceptable. Some of the variable expenses are due to increase staffing within the development groups who are supporting the initiatives. *Cost-cutting measure needed*
- Mr. Hawthorne will check into this and clarify if there might be a classification issue. If so, all department managers must understand the relationship between the variable and fixed expenses.
- Mr. Yao expects variable expenses to go up less than revenues, do to efficiencies of scale in IT.
- Finally, fixed expenses are too high or capital expenses are too high.
- SLS budget looks good. The variable expenses are going up 22% while the business is growing 50%. The percent of capital expenses is high, but dollar wise, it is low. Mr. Yao would like to know why SLS fixed expenses are going up.
- Capital expense percent for SMS goes up high but dollar amount is low. It appears that the fixed expenses are due to strategic initiatives, \$5M for people. Mr. Turnbull will track this separately. *WHAT?*
- The net cash flow from strategic initiatives is \$8M. *How is this determined?*
- Margin— This year the margin is 2.5% lower than what was projected. This could be due to forbearance issues. Next year we project 3.65%.

Profit Sharing Goals

Areas under performing are:

- Recorded downtime. This goal will change from 100% to 95%.
- Total operating expense
- Loans in inventory
- Approved Applications
- Delinquencies
- Monthly recoveries
- Number of carriers
- Average processing time. This is being revised.
- As a result of not hitting the marks nor were the marks revised prior to third quarter, and since the real numbers are not close to the target, the profit sharing value will not be what is expected.
- Mr. Yao requested that the following items be e-mailed to him:
 - A new summary sheet with new classifications; go department by department and prioritize which departments should have more cuts and which departments should have fewer cuts, which ones we should invest in more and which do we invest in less. Add up numbers and look for \$4M.
- Cut budget buy \$4M.
- The following issues must be addressed:

- o look at decreasing forbearance from 30% to 24% *← WHAT WAS DONE TO ACCOMPLISH THIS?*
- o increase average application fees to \$175 effective 2nd quarter
- o no ramp up of new initiatives
- o cut \$4M off the budget.
- o Implement Flex fund at the end of the second quarter
- By insuring proper classification within the budget fixed, variable and capital costs, by prioritizing departments and adding up numbers and making sure you get \$4M, this should increase next years profit sharing goals to \$39K per share for 72 shares.
- Ms. Messick's GAP projection for this year was 7.72%. We may be closer to 9% based on the decrease cost of capital. In addition, next year, assuming steady state cost of capital, we might possibly reach 9% GAAP. We can potentially do next year what we thought it would take until 2003 to accomplish. Bases on the strategic initiatives and decrease interest rates the number we might achieve is \$65M on a GAAP basis.

Historical Frame of Reference

Forbearance was a means for controlling repurchasing. We had a maximum advance, no funded reserve and kept the IO. Those proceeds became the forbearance funds from which we applied payments or made repurchase. Under the current structure, all that cash is pre-funded. We pre-funded the reserve and all IO goes into the deal. ~~Currently, there are pools of money sitting which we need to utilize.~~ If we tighten credit, augment collections, and ~~find a way to reduce our~~ delinquencies from 46% to 25%, charge off could go to 8% and we can increase charge-off to reserves. Possibly, in some deals, forbearance might come in under 24%.

1st make sure that the above is accomplished. ~~This is a Should Do.~~ *WHY NOT A MUST DO!*
 2nd increase charge-offs to reserves. Currently our target is at 6% per year, with a 16% delinquency. If we move to a 24% delinquency, charge offs could go to 8% resulting in potential room in some of the deals to decrease forbearance below 24%. This is a Can Do.

- We need to do enough forbearance to stay within Moody's and Royal's parameters and stay within amount of reserves in the deal.
- Mr. Guy Disimplico is to receive Scott's Schauer's analysis, the assumptions behind Moody's model. Mr. Disimplico needs to build a cushion. Increasing charge offs and increasing delinquencies to reserves can accomplish this. In addition, please report with a finding as to what level that is and answer the following question; Can we go any more than 24% and still stay within the Moody's assumptions.

II. MARKETING AND SALES

- The Credit Committee may want to look at re-pricing 230, 240 and 242 to give us more reserves.
- Mr. Turnbull will e-mail Mr. Yao based upon October, what Nov and Dec projections might be.
- CAP needs restructuring. The department is taking a blend of conditions and incorporating into one package. This will include collecting data, making individual calls to approved applicants, SPS will move to front-end to entice student to stay in school. Application fee will increase to \$295. All new schools are being brought on at that level while existing schools will be integrated into the process.
- Eight schools are on target with SOAR. The ramp-up needs to be conservative. Projections should include 4th quarter plus next year.
- SPS is receiving fifty to sixth résumé's daily.
- College and University Plan should have the same commission structure.
- West Coast office should consist of three people: John Newman, administrative support and sales support. Create a budget, from SMS, for John and have him hire some people. The location will possibly be southern California.

III. COMMITTEE REPORTS**A. Policy Committee**

- * It was agreed to table The Credit Card Program until September of next year.
- * SFG Masterpiece program, developed and released by Internal Audit.
- * The committee will attempt to curtail the forbearance policy if possible.

B. Internal Audit

- * Include target dates on all items.

WHAT DOES THIS MEAN?
CURTAIL THE POLICY
ON THE PAYMENT
OF FB ?

C. Information Technology

- * Once a licensing issue is resolved, SPS will be up and running in 80 days.
- * Mr. Yao requested that Mr. Hawthorne get clarification on the "Price tag to high" for the Sr. Position in the Development Department. Also, please clarify if this is being reevaluated in budget and how is that being handled.

D. Credit Committee Report

- * Managing Director of Risk Management will begin November 19th. (Currently, do not add any more levels to profit sharing structure) He will report directly to Mr. Hawthorne and sit on Credit Committee, IT Committee and possibly Policy Committee. Mr. Yao suggested that until he is fully on board, limit the amount of disclosure.

* Mr. Yao concurred with the conclusion of the co-signer risk class. Some of the schools are still struggling with the ability to provide qualified co-signers and the correct documentation. After next month, we will make the decision to continue or not.

E. Operations Committee

- * System Request Outstanding needs a completion date added.
- * SPS will need a separate training unit for account services.
- * Note all comments on charts.

E. Human Resource Report

- * No comments

IV. OLD BUSINESS

- * Strategic Planning set for November 7th
- * Deferred Comp Program looks fine
- * Internal Security policy and procedures needs completion. Phillip Deming might be able to refer us to someone who could review the procedures. Add to old business for next month.

V. NEW BUSINESS

- * No new business.

VI. ADJOURNMENT

They're being no further business before the meeting; the same was, on motion duly made, seconded, and carried, adjourned.

**MINUTES OF THE BOARD AND
EXECUTIVE COMMITTEE**

SF GROUP

November 29, 2001

Time and place of meeting

A meeting of the Executive Officers of the Student Finance Group was held at the office of the Corporation, 170 Lukens Drive, New Castle, DE 19720 November 29, 2001 at 10:30 A.M., pursuant to the call of Mr. Yao.

Attendance and quorum

The following officers, being the executive officers of the Corporation, were present:
Mr. Andrew N. Yao, Chairman and Chief Executive Officer
Mr. Perry R. Turnbull Vice Chairman and Chief Marketing Officer.
Mr. Gary J. Hawthorne, President and Chief Operating Officer. Operations

Presiding officers

Mr. Yao, CEO, acted as Chairman of the meeting and Mr. Hawthorne, President, acted as Secretary of the meeting.

Approval of minutes of previous meeting

The minutes of the meeting of directors held October 31, 2001 were read and approved.

Business of Meeting

I. TREASURER'S REPORT

Finance Committee Report:

- ~~Recommendations~~ — WHAT?
- Liquidity plans:
 - o Royal, XL and MBIA for short term securitization liquidity, possibly AMBA.
 - o (Rusty does not want to approach anyone until the two cycle goes down.)
 - o Royal should confirm the week after next, XL still in works. Looking for \$50M initially for a December deal. MBIA still needs a proforma of our delinquencies status as if we had a pay-ahead option.
 - o Paul Sheldon received no feedback from SSB. SSB still has not been approached about a summary deal.

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ACCT-TR 001053

WSFC0754831

- UBS Paine Webber should respond this week. They require an MBIA or AMBAC wrap.
- Currently, these are the only viable contacts on the "table".
- The dollars in Wilmington Trust needs to be removed from the liquidity chart.
- DZ is going to their board with a double wrapped deal. Strategy is to get that done then approach them with other alternatives. Mr. Yao requested we ask DZ if they can do it on a rating bases opposed to a Royal specific basis.
- Long-term, securitization: Royal is contemplating only \$400M. Worst-case is a \$630M securitization so we are \$230M short. \$400M will take us through the 3rd quarter of next year. By the end of the 1st quarter of next year, we need something else in place. Mr. Yao emphasized sticking with multi-line + mono-line structure. We have two on the table.
- For the next executive committee meeting include the following reports:
 - Plan for development of additional multi-lines contacts.
 - Plan to talk to our investment bankers about doing a single wrap mono-line deal. UBS Paine Weber is already embarking on that path. Talk with Rusty and Paul Sheldon about that.
 - Report back from Finance Committee the timing and planning to get feed back from Rust Saylor and Paul Sheldon as to what type of timetable we should embark upon in order to do a mono-line wrap deal with an underlining A3 or A2 shadow rating.
(If Paul Sheldon is unresponsive, advise him that we will no longer use him. If SSB cannot be responsive, we have other alternative.)
- Continue negotiations with SWH. Include the following:
 - All documents ready so that within 48 hours or some agreed upon notice period we send them the loans and they give us the money.
 - 115% is above the A3 structure and should be negotiated.
 - See if SHW will accept documentation that we already have from Moody's with a rating of A3 or better. We do not want Moody's to rate their deal.
 - Under no circumstance can all their fees go into a document that PNC or SSB might see. All above market fees in a separate document
 - Item #4, condition upon the deal being wrapable on a mono-line. At the end of the day, they need to step up and take some risk. We are giving them A3 or A2 structure, over collateralization above that, we are giving them numerous fees, they have to accept some risk. Get in place prior to years end.

ABILITY TO DO
FUTURE
DEALS

WHY

• **Budget Variance Report**
No comments.

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ACCT-TR 001064

WSFC0754832

• **2002 Budgets**

- Miscellaneous categories and fixed and variable expenses appears to be properly allocated this year.
- Office expenses appear extremely high. Mr. Yao requested a breakdown of what constitutes this category.
- The managers laid the foundation in respect to GAP and net cash flow. Increased revenues by 10%, loan volume increasing by 5%. *How*
- For the next executive committee meeting a plan outlining what action steps we would need to take if in the 1st two quarters of next year it looks like the volume isn't going to be there.
- The committee agreed to adopt the most recent version of the GAP and the cash flow projections. This will be sent to Mr. Yao via e-mail
- Each month, we will be looking at budget variance for GAP of \$60 to \$70M and net cash flow of \$41M.
- Prepare budget variance, both cash flow and variance for next year while preparing for a transition for the following year even more GAP sensitive.
- Have net cash flow and GAP updated on a monthly basis and e-mailed to Mr. Yao. Do not include detail. Report can be simplified and by company. Mr. Yao will e-mail Mr. Turnbull, Mr. Hawthorne and Ms. Messick Diane the below the line figures to be kept between these three only.

II. MARKETING AND SALES

- * No comments
- * Begin inclusion of narratives covering all segments similar to the other committee reports.

III. COMMITTEE REPORTS

A. Policy Committee

- * Forbearance payments at the end of 2000 were about 34% of total payments. We projected it to be about 38% of total payments this year.

B. Internal Audit

- * Item #4 needs date associated with it.

C. Information Technology

- * No comments

*My discussion
is to what
2001 was
actually
?*